

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2014

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ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2013 Election)

Boyd Brodie	President	2013
Marc Soderstrum	Vice President	2015
Steve Peterson	Board Member	2013
Mike Retallick	Board Member	2015
Ted Hammes	Board Member	2015

(After September 2013 Election)

Boyd Brodie	President	2017
Marc Soderstrum	Vice President	2015
Michaela Carlson	Board Member	2017
Mike Retallick	Board Member	2015
Ted Hammes	Board Member	2015

School Officials

Michael Billings	Superintendent
Candi Holm	District Secretary/Treasurer

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
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Independent Auditor's Report

To the Board of Education of
Roland-Story Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Roland-Story Community School District, Story City, Iowa, as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit, except as explained in the following paragraph. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The financial statements of Roland-Story Community School District Foundation have not been audited, and we were not engaged to audit the Foundation financial statements as part of our audit of the Roland-Story Community School District's basic financial statements. The Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Foundation's financial statements and because we did not apply any auditing procedures to the Foundation's financial statements, we do not express an opinion on the discretely presented component unit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Roland-Story Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Roland-Story Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2015 on our consideration of Roland-Story Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Roland-Story Community School District's internal control over financial reporting and compliance.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

March 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Roland-Story Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2014. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

2014 FINANCIAL HIGHLIGHTS

- The General Fund ending fund balance increased from \$2,192,997 in Fiscal Year 2013 to \$2,368,962. This increase of \$175,965 can be attributed to the district making a very direct effort towards improving the financial health of the district. Over the last several years the district has had a significant decline in enrollment and although it appears that enrollment is now starting to increase, the district has chosen to proceed with caution and continue its conservative efforts in spending. This combined with the legislature delaying decisions on state supplement aid, the district wanted to insure that day's net cash ratio improve from the 12 days in 2010 to the 92 days at the end of 2014. This ratio measures the short-term solvency and the ability to cash flow expenditures without receiving additional revenue. The district receives very little funding throughout the months of June, July, and August; however this is a timeframe when many supplies are purchased for the upcoming year. It should be noted that \$190,901 of this ending fund balance is categorical funding that can only be spent for that specific purpose.
- The District had eight early retirements on June 30, 2013 which also contributed to lowering some of the salary costs to the general fund for Fiscal Year 2013-2014.
- The District made the final payment for the sales tax revenue bonds on July 1, 2013 and continues to work on a long-range plan for facilities and site management.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Roland-Story Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Roland-Story Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Roland-Story Community School District GASB 34 Annual Financial Report

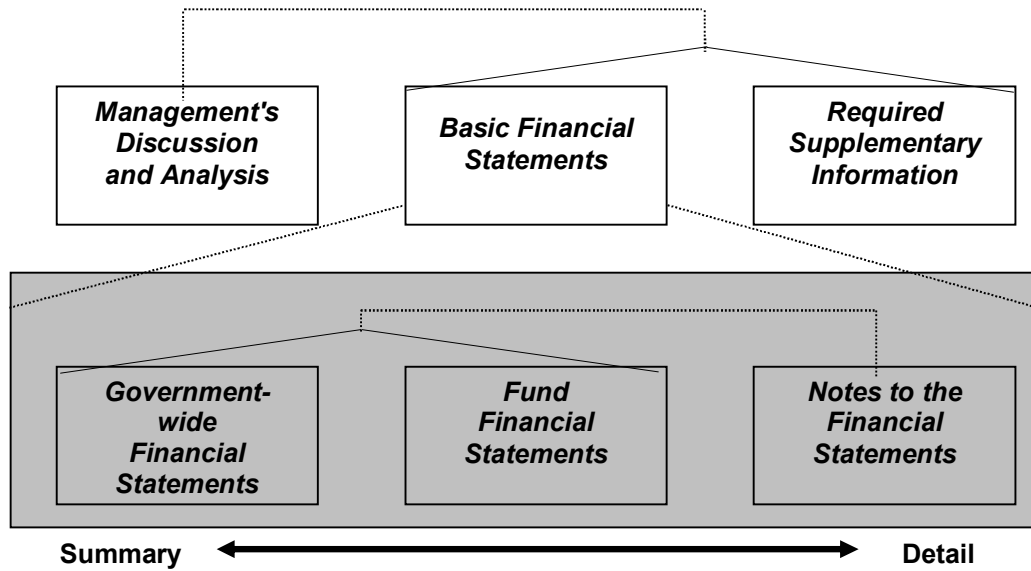


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net positions and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2013 compared to June 30, 2014.

Figure A-3

Condensed Statement of Net Position (in thousands of dollars)							
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
	\$	\$	\$	\$	\$	\$	
Current and other assets	9,449	9,769	(17)	(7)	9,433	9,762	-3.37%
Capital assets	11,751	11,417	18	18	11,769	11,435	2.92%
Total assets	21,200	21,186	1	11	21,202	21,197	0.02%
Long-term liabilities	337	959	2	1	339	960	-64.69%
Other liabilities	294	393	-	-	294	393	-25.19%
Total liabilities	631	1,353	2	1	633	1,354	-53.25%
Deferred Inflows of Resources	3,389	3,703	11	12	3,400	3,715	-8.48
Net Position:							
Net Investment in capital assets	11,751	10,702	18	18	11,769	10,720	9.79%
Restricted	2,909	2,947	-	-	2,909	2,947	-1.29%
Unrestricted	2,520	2,482	(29)	(20)	2,491	2,462	1.18%
TOTAL NET POSITION	17,180	16,131	(11)	(2)	17,169	16,129	6.45%

The decrease in current and other assets of 3.37% can be attributed to an increase in operating costs. These increased costs include salaries, additional staff, and utilities.

The decrease in long-term liability of 53.25% is the direct result of the district making their final payment on the sales tax revenue bonds on July 1, 2013.

Unrestricted net position increased this year 1.18% or \$29,000. Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. The District in the previous year had cash reserved knowing that in fiscal year 2013-2014 these funds would be used to help with these day-to-day expenses due to the large decline in students over the last two years. With state funding coming a year behind 2013-2014 would also be a year that declining enrollment would continue to impact the district's funding for general operations.

Figure A-4 shows the change in net position for the years ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4

	Change in Net Position						Percentage Change 2013-2014
	Governmental Activities		Business-type Activities		Total School District		
	2014	2013	2014	2013	2014	2013	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	1,254,051	1,152,728	317,186	319,796	1,571,237	1,472,524	6.70%
Operating grants, contributions and restricted interest	1,335,452	1,326,152	185,263	170,775	1,520,715	1,496,927	1.59%
Capital grants, contributions and restricted interest	-	18,773	-	-	-	18,773	-100.00%
General Revenues:							
Property taxes	3,707,514	3,946,815	-	-	3,707,514	3,946,815	-6.06%
Income Surtax	564,630	478,545	-	-	564,630	478,545	17.99%
Local option sales tax	833,162	1,043,760	-	-	833,162	1,043,760	-20.18%
Unrestricted state grants	4,118,127	3,883,967	-	-	4,118,127	3,883,967	6.03%
Unrestricted investment earnings	12,736	12,269	2	2	12,738	12,271	3.81%
Other revenue	6,597	21,172	-	-	6,597	21,172	-68.84%
Total Revenues	11,832,269	11,884,181	502,451	490,573	12,334,720	12,374,754	-0.32%

Expenses:

Instruction	6,872,466	6,919,831	-	-	6,872,466	6,919,831	-0.68%
Support services	2,882,593	2,560,225	-	-	2,882,593	2,560,225	12.59%
Non-instructional programs	1,800	13,591	513,547	513,399	515,347	526,990	-2.21%
Other expenditures	1,026,223	1,047,283	-	-	1,026,223	1,047,283	-2.01%
Total expenses	10,783,082	10,540,930	513,547	513,399	11,296,629	11,054,329	2.19%
Change in net position before							
Capital Contribution	1,049,187	1,343,251	(11,096)	(22,826)	1,038,091	1,320,425	-21.38%
Capital contribution	-	-	1,800	15,843	1,800	15,843	-88.64%
CHANGE IN NET POSITION	1,049,187	1,343,251	(9,296)	(6,983)	1,039,891	1,336,268	-22.18%
Net position beginning of year	16,130,824	14,787,573	(2,128)	4,855	16,128,696	14,792,428	9.03%
Net position end of year	17,180,011	16,130,824	(11,424)	(2,128)	17,168,587	16,128,696	6.45%

Property tax revenues decreased 6.06% this is due to the district making a decided effort to shift some of the tax burden from property tax to income surtax in both the general fund levy and the physical plant and equipment levy. The increase of 12.59% in expenses for support services is reflective of the additional associates needed to help in classrooms and with special needs students.

Business-type revenue increased 2.4% this year due to two reasons. With the increase in families needing assistance with school meals, the District was required to raise adult lunch prices in order to continue their participation in the National Free and Reduced School Lunch program. The District also raised ala-carte prices to help cover the expenses in the school nutrition program. The District was able to keep the expenses in the nutrition program relatively flat this year.

Governmental Activities

Revenues for governmental activities were \$11,832,269 and expenses were \$10,783,082. Although revenues are higher than expenses it is important to remember that the District recently was in a pattern of declining enrollment. The District has cash reserved to help with cash flow. Income Surtax revenues increased 17.99% this year which may be an indication that the economy is beginning to rebound for the communities served by the District is increasing, but also as a result of the district shifting more of the property tax to income surtax.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5 **Total and Net Cost of Governmental Activities**
(in thousands of dollars)

	Total Cost of Services 2014	Total Cost of Services 2013	Net Cost Of Services 2014	Net Cost Of Services 2013
	\$	\$	\$	\$
Instruction	6,872	6,920	4,700	4,820
Support Services	2,883	2,560	2,836	2,515
Non-instructional Programs	2	14	2	14
Other Expenses	1,026	1,047	656	694
TOTAL	10,783	10,541	8,194	8,043

- The cost financed by users of the District's programs was \$1,254,051.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,335,452.
- The net cost of governmental activities was financed with \$4,272,144 in property and income surtax taxes and \$4,118,127 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$502,451 and expenses were \$513,547. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The District has been monitoring the School Nutrition Fund and trying to improve the revenue capabilities. The ala-carte program the District implemented has helped to increase the revenues. Meal prices are reviewed annually and adjusted if it is anticipated that there will be a short fall in revenue compared to expenses. Meal prices are normally reviewed in February or March and when reviewed in March of 2012 it was decided that the only increase for the 2013-2014 would be a slight adjustment to the ala-carte prices and an increase in adult prices mandated by the Department of Education in order to continue participation in the National School Lunch Free and Reduced Program. The District also anticipates that the additional six cents they will receive from the federal government for participating in the performance-base meal program will help to cover any increase in expenses.

INDIVIDUAL FUND ANALYSIS

As previously noted, Roland-Story Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,298,199, which is an increase from last year's ending fund balances of \$5,225,760. The primary reason for the increase in combined fund balances in fiscal 2014 is as mentioned earlier, the District continued to cash reserve for to maintain its day's net cash ratio and to improve its solvency ratio after the last few years of declining enrollment. It is hoped that this effort will help to maintain the property taxes at the current level.

The Capital Projects Fund recognized a decrease in fund balance of \$252,360. The reason for the decrease is due to the District paying off of the Sales Tax Revenue bonds on July 1, 2013 and beginning to work on projects that had been on hold. One of these projects new seating and improved lighting at the athletic stadium. The District with its long-range planning was able to have the funds necessary to pay for this project without any type of borrowing.

Governmental Fund Highlights

- The District's recent measures of implementing changes in the Instructional Support Levy using a combination of income surtax and property tax dollars has helped in curtailing the direction of the General Fund financial position from a deteriorating one. The eight early retirements at the end of Fiscal Year 2013 also helped to improve the financial condition of the district, since the district was able to hire replacement teachers at a less costly area of the salary schedule. This year with the current economic condition improving slightly coupled with continued declining enrollment, we were able to see an increase in the fund balance of \$175,965.
- The Capital Projects Fund includes revenues from sales tax and the physical plant and equipment levy. The District tracks the revenues, expenditures and fund balances of the two types of funding separately. The Capital Projects Fund saw a decrease in fund balance of \$252,360. This is due to the fact the District chose to begin some of the projects it had placed on hold, such as the athletic stadium, mentioned earlier.
- The Student Activity Fund and Management Fund were the non-major Governmental Funds in Fiscal 2014. The major expenses in the Management Fund this year were for District property insurance and the Early Retirement Incentive. There was an increase in the fund balance for the Management Fund of \$150,692 and this is due to the District planning for the seven retirees that retired at the end of 2014 and will be paid in July of fiscal year 2014-2015. Student Activity Fund continues to remain fairly stable in its ending fund balance.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$(2,128) at June 30, 2013 to (11,424) at June 30, 2014. The reasoning for this is the increase costs of food and supplies, which has impacted all food service businesses and

households over the last few years. Although the District had increased ala-carte prices and adult meal prices these increases were not sufficient enough to offset the increase in food and supplies. In past years if the School Nutrition fund were in a negative position the District would have transferred with board approval funds from the General fund to help with these costs, however clarification and guidance from the Department of Education state that this practice is no longer acceptable. The District will need to look at alternative methods to improve the condition of the School Nutrition Fund.

BUDGETARY HIGHLIGHTS

The District's receipts were \$424,457 less than budgeted receipts, a variance of less than 1%. State sources were more than budgeted by \$896,982 and Federal sources were higher by \$234,419. The increase in State sources is due to the legislature not having settled on allowable growth at the time the budget was developed and the district budgeting at a zero allowable growth percentage and additional state grants the district was awarded. The Federal sources increase can be attributed to the District efforts in filing for Medicaid reimbursement and increased Federal funding due to the increase in families qualifying for the free and reduced program. This same reason that Federal funding increased is one of the reasons local sources decreased, more students qualifying for the free and reduced program.

Total expenditures were less than budgeted, due to the District's efforts to contain spending due to declining enrollment and the current economic condition. The District's practice is to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$11.77 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 2.92% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$490,897.

The original cost of the District's capital assets was \$17.2 million. Governmental funds account for \$17.14 million, with the remainder of \$0.08 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category. This is due to the fact the District purchased new stadium seating, seating in the north high school gym, and new production copiers in all three buildings.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
	\$	\$	\$	\$	\$	\$	
Land	411,753	392,241	-0-	-0-	411,753	392,241	4.97%
Construction in progress	66,900	-0-	-0-	-0-	66,900	-0-	100%
Buildings	10,352,308	10,540,708	-0-	-0-	10,352,308	10,540,708	-1.79%
Improvements	393,620	322,904	-0-	-0-	393,620	322,904	21.90%
Equipment & Furniture	526,609	160,984	17,554	18,364	544,163	179,348	203.41%
TOTAL	11,751,190	11,416,837	17,554	18,364	11,768,744	11,435,201	2.92%

Long-Term Debt

At June 30, 2014, the District had \$339,134 in capital leases, termination benefits, and Net OPEB (Other Post Employment Benefits). (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District entered into a capital lease purchase for a school bus in fiscal year 2014. There are two years remaining on this lease.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately \$14.4 million.

The District had seven employees that will be receiving early retirement benefits in fiscal year 2014. These employees will be paid from the Management fund as allowed by Iowa Code.

This is the fifth year for implementation of GASB 45 Other Post Employment Benefits reporting. The District is required to show the liability for OPEB, but is not required to fund this liability. The District does not intend on funding OPEB, because our only benefit is that retirees that are on the health insurance at the time of retirement may purchase the District's insurance until the month they turn 65. The retiree is responsible for full payment of the insurance. This OPEB liability will grow as full-time certified new employees are required to take health insurance through the District's health insurance plan during their employment.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change
	2014	2013	2013-2014
	\$	\$	
Local Option Sales and Services	-	715,000	-100%
Tax Revenue Bonds			
Capital Leases	55,956	-	100%
Early Retirement	211,603	191,088	10.74%
Net OPEB Liability	71,575	49,397	44.90%
Total	339,134	955,485	-64.51%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- District enrollment increased for the third year in a row since October 2000. The increase was 18.8 students. School financing is highly dependent upon student enrollment. This increase will help with the budgeting for 2016.
- Even though this year showed an increase in enrollment of 18.8 students this will only put a dent in the funding loss that has occurred over the past thirteen years. Over the past thirteen years the District's enrollment has decreased 143.75 students which has directly resulted in a funding loss of approximately \$879,894. A majority of the funding for the District's budget is based on certified enrollment due to the loss of funds over the past thirteen years it will be necessary for the District to maintain a close watch on expenditures and spending authority.
- The District is hoping that the past few years levying for cash reserve will help to maintain an appropriate level of funding to continue all of the programs offered by Roland-Story. The District believes that current programming provides for a well-rounded student able to meet the various changes in the global society that we now live in. The District is finding that its efforts over the last few years have provided an improved financial health position, so it no longer needs to be concerned about whether or not participation in ISCAP is necessary to meet its obligations in the first three months of the fiscal year, prior to receiving state aid.
- The District has a three-year contract with the Roland-Story Education Association (RSEA) which included an overall increase in salary and benefits for certified teaching staff of 4.5% or \$246,561 for fiscal year 2015. Staff represented by RSEA makeup in wages and benefits 55% of all General Fund expenditures. Settlements with the RSEA have typically set the standard for agreements with other employees in the District. Settlements with employee groups that exceed the rate of growth in state funding will have an adverse impact upon the District's General Fund budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Candi Holm, District Secretary/Treasurer and Business Manager, Roland-Story Community School District, 1009 Story Street, Story City, Iowa, 50248.

BASIC FINANCIAL STATEMENTS

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total	Component Unit Roland- Story Community School District Foundation
	\$	\$	\$	\$
Assets				
Cash, cash equivalents and pooled investments	5,259,858	14,911	5,274,769	1,036,071
Receivables:				
Property tax:				
Delinquent	24,244	-	24,244	-
Succeeding year	3,389,441	-	3,389,441	-
Accounts	7,728	207	7,935	-
Interfund receivable (payable)	35,109	(35,109)	-	-
Due from other governments	732,087	-	732,087	-
Inventories	-	3,763	3,763	-
Prepaid expenses	766	-	766	-
Capital assets, net of accumulated depreciation	11,751,190	17,554	11,768,744	-
Total assets	21,200,423	1,326	21,201,749	1,036,071
Liabilities				
Accounts payable	115,991	-	115,991	-
Salaries and benefits payable	109,710	-	109,710	-
Due to other governments	66,834	-	66,834	-
Accrued interest payable	1,000	-	1,000	-
Long-term liabilities:				
Portion due within one year:				
Capital loan notes	27,649	-	27,649	-
Termination benefits	211,603	-	211,603	-
Portion due after one year:				
Capital loan notes	28,307	-	28,307	-
Net OPEB liability	69,877	1,698	71,575	-
Total liabilities	630,971	1,698	632,669	-
Deferred Inflows of Resources				
Deferred revenue:				
Succeeding year property tax	3,389,441	-	3,389,441	-
Other	-	11,052	11,052	-
	3,389,441	11,052	3,400,493	-

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total	Component Unit Roland- Story Community School District Foundation
	\$	\$	\$	\$
Net Position				
Net investment in capital assets	11,751,190	17,554	11,768,744	-
Restricted for:				
Scholarships and projects by donors	-	-	-	1,036,071
Categorical funding	190,901	-	190,901	-
Management levy	253,035	-	253,035	-
Physical plant and equipment levy	939,310	-	939,310	-
Student activities	309,708	-	309,708	-
School infrastructure	1,215,581	-	1,215,581	-
Unrestricted	2,520,286	(28,978)	2,491,308	-
Total net position	<u>17,180,011</u>	<u>(11,424)</u>	<u>17,168,587</u>	<u>1,036,071</u>

ROLAND-STORY COMMUNITY SCHOOLDISTRICT

Statement of Activities

Year ended June 30, 2014

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	4,549,812	743,282	741,386	-
Special	1,021,619	117,122	159,965	-
Other	1,301,035	327,762	82,979	-
	<u>6,872,466</u>	<u>1,188,166</u>	<u>984,330</u>	<u>-</u>
Support services:				
Student	338,222	-	-	-
Instructional staff	443,366	-	-	-
Administration	942,537	-	-	-
Operation and maintenance of plant	823,899	34,890	-	-
Transportation	334,569	11,595	-	-
	<u>2,882,593</u>	<u>46,485</u>	<u>-</u>	<u>-</u>
Non-instructional programs	<u>1,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	283,224	19,400	-	-
Long-term debt interest	2,931	-	-	-
AEA flowthrough	351,122	-	351,122	-
Depreciation (unallocated)*	388,946	-	-	-
	<u>1,026,223</u>	<u>19,400</u>	<u>351,122</u>	<u>-</u>
Total governmental activities	<u>10,783,082</u>	<u>1,254,051</u>	<u>1,335,452</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	<u>513,547</u>	<u>317,186</u>	<u>185,263</u>	<u>-</u>
Total	<u>11,296,629</u>	<u>1,571,237</u>	<u>1,520,715</u>	<u>-</u>
Component Unit:				
Roland Story Comm. School District Foundation	<u>29,540</u>	<u>-</u>	<u>29,089</u>	<u>-</u>
Total	<u>11,326,169</u>	<u>1,571,237</u>	<u>1,549,804</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Capital Contribution				
Total general revenues and capital contributions				
Change in net position				
Net position beginning of year				
Net position end of year				

*This amount excludes the depreciation that is included in the direct expense of the various programs.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(3,065,144)	-	(3,065,144)	-
(744,532)	-	(744,532)	-
(890,294)	-	(890,294)	-
(4,699,970)	-	(4,699,970)	-
(338,222)	-	(338,222)	-
(443,366)	-	(443,366)	-
(942,537)	-	(942,537)	-
(789,009)	-	(789,009)	-
(322,974)	-	(322,974)	-
(2,836,108)	-	(2,836,108)	-
(1,800)	-	(1,800)	-
(263,824)	-	(263,824)	-
(2,931)	-	(2,931)	-
-	-	-	-
(388,946)	-	(388,946)	-
(655,701)	-	(655,701)	-
(8,193,579)	-	(8,193,579)	-
-	(11,098)	(11,098)	-
(8,193,579)	(11,098)	(8,204,677)	-
-	-	-	(451)
(8,193,579)	(11,098)	(8,204,677)	(451)
3,315,423	-	3,315,423	-
392,091	-	392,091	-
564,630	-	564,630	-
833,162	-	833,162	-
4,118,127	-	4,118,127	-
12,736	2	12,738	64,795
6,597	-	6,597	-
9,242,766	2	9,242,768	64,795
-	1,800	1,800	-
9,242,766	1,802	9,244,568	64,795
1,049,187	(9,296)	1,039,891	64,344
16,130,824	(2,128)	16,128,696	971,727
17,180,011	(11,424)	17,168,587	1,036,071

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2014

	General	Capital	Nonmajor	Total
	\$	Projects	Government	\$
Assets				
Cash, cash equivalents and pooled investments	2,403,318	2,058,487	775,623	5,237,428
Receivables:				
Property tax:				
Delinquent	18,775	2,516	2,953	24,244
Succeeding year	2,676,545	362,895	350,001	3,389,441
Accounts	3,856	-	3,872	7,728
Interfund receivable	35,109	-	-	35,109
Due from other governments	479,667	252,420	-	732,087
Prepaid expenses	766	-	-	766
Total assets	<u>5,618,036</u>	<u>2,676,318</u>	<u>1,132,449</u>	<u>9,426,803</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	61,192	46,841	7,822	115,855
Salaries and benefits payable	109,430	-	280	109,710
Due to other governments	66,834	-	-	66,834
Total liabilities	<u>237,456</u>	<u>46,841</u>	<u>8,102</u>	<u>292,399</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,676,545	362,895	350,001	3,389,441
Income surtax	335,073	111,691	-	446,764
Total deferred inflows of resources	<u>3,011,618</u>	<u>474,586</u>	<u>350,001</u>	<u>3,836,205</u>
Fund balances:				
Restricted for:				
Categorical funding	190,901	-	-	190,901
Management levy purposes	-	-	464,638	464,638
Student activities	-	-	309,708	309,708
School infrastructure	-	1,215,581	-	1,215,581
Physical plant and equipment	-	939,310	-	939,310
Unassigned	2,178,061	-	-	2,178,061
Total fund balances	<u>2,368,962</u>	<u>2,154,891</u>	<u>774,346</u>	<u>5,298,199</u>
Total liabilities, deferred inflows of resources and fund balances	<u>5,618,036</u>	<u>2,676,318</u>	<u>1,132,449</u>	<u>9,426,803</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2014

	\$
Total fund balances of governmental funds (Exhibit C)	5,298,199
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	11,751,190
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	453,657
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,000)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	22,294
Long-term liabilities, including bond premiums, bonds payable, termination benefits and other postemployment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(344,329)</u>
Net position of governmental activities (Exhibit A)	<u><u>17,180,011</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2014

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,293,559	534,972	450,506	4,279,037
Tuition	729,601	-	-	729,601
Other	185,915	22,282	334,706	542,903
State sources	5,199,112	833,351	239	6,032,702
Federal sources	254,039	-	-	254,039
Total revenues	<u>9,662,226</u>	<u>1,390,605</u>	<u>785,451</u>	<u>11,838,282</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,487,113	128,522	141,065	4,756,700
Special	1,018,514	-	-	1,018,514
Other	968,693	-	331,011	1,299,704
	<u>6,474,320</u>	<u>128,522</u>	<u>472,076</u>	<u>7,074,918</u>
Support services:				
Student	304,101	-	14,853	318,954
Instructional staff	442,004	1,362	-	443,366
Administration	946,916	-	15,482	962,398
Operation and maintenance of plant	716,177	3,601	102,791	822,569
Transportation	252,501	193,126	32,915	478,542
	<u>2,661,699</u>	<u>198,089</u>	<u>166,041</u>	<u>3,025,829</u>
Non-instructional programs	<u>-</u>	<u>1,800</u>	<u>-</u>	<u>1,800</u>
Other expenditures:				
Facilities acquisition	-	640,880	-	640,880
Long-term debt:				
Principal	-	-	743,982	743,982
Interest and fiscal charges	-	-	13,130	13,130
AEA flowthrough	351,122	-	-	351,122
	<u>351,122</u>	<u>640,880</u>	<u>757,112</u>	<u>1,749,114</u>
Total expenditures	<u>9,487,141</u>	<u>969,291</u>	<u>1,395,229</u>	<u>11,851,661</u>
Excess (deficiency) of revenues over (under) expenditures	<u>175,085</u>	<u>421,314</u>	<u>(609,778)</u>	<u>(13,379)</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2014

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Other financing sources (uses):				
Sales of equipment	880	-	-	880
Proceeds from long-term loans	-	84,938	-	84,938
Operating transfers in	-	-	758,612	758,612
Operating transfers out	-	(758,612)	-	(758,612)
Total other financing sources (uses)	880	(673,674)	758,612	85,818
Change in fund balances	175,965	(252,360)	148,834	72,439
Fund balances beginning of year	2,192,997	2,407,251	625,512	5,225,760
Fund balances end of year	2,368,962	2,154,891	774,346	5,298,199

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2014

	\$	\$
Change in fund balances - total governmental funds (Exhibit E)		72,439
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year are as follows:		
Expenditures for capital assets	822,640	
Depreciation expense	<u>(488,287)</u>	334,353
Income surtaxes and other grants not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		(6,893)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		743,982
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		12,130
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	(20,515)	
Other postemployment benefits	<u>(21,734)</u>	(42,249)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Position.		(84,938)
Bond issue costs are reported as an expense in the governmental fund financial statements, but are capitalized and amortized over the life of the bonds in the government-wide financial statements.		(6,840)
Bond premiums are reported as income in the governmental funds, but are amortized over the life of the bonds in the government-wide financial statements.		4,909
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>22,294</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>1,049,187</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Funds

June 30, 2014

	Enterprise, Nonmajor School Nutrition \$	Governmental Activities - Internal Service Fund \$
Assets		
Current assets:		
Cash, cash equivalents and pooled investments	14,911	22,430
Accounts receivable	207	-
Inventories	3,763	-
Total current assets	<u>18,881</u>	<u>22,430</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>17,554</u>	<u>-</u>
Total assets	<u>36,435</u>	<u>22,430</u>
Liabilities		
Current liabilities:		
Accounts payable	-	136
Deferred revenue	11,052	-
Interfund payable	35,109	-
Total current liabilities	<u>46,161</u>	<u>136</u>
Noncurrent liabilities:		
Net OPEB liability	<u>1,698</u>	<u>-</u>
Total liabilities	<u>47,859</u>	<u>136</u>
Net position		
Invested in capital assets	17,554	22,294
Unrestricted	<u>(28,978)</u>	<u>-</u>
Total net position	<u>(11,424)</u>	<u>22,294</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds

Year ended June 30, 2014

	Enterprise, Nonmajor School Nutrition \$	Governmental Activities - Internal Service Fund \$
Operating revenues:		
Local sources:		
Charges for service	317,186	46,428
Operating expenses:		
Salaries	157,425	-
Benefits	24,325	20,831
Purchased services	9,720	3,337
Supplies	305,890	-
Depreciation	2,610	-
Other	13,577	-
Total operating expenses	513,547	24,168
Operating income (loss)	(196,361)	22,260
Non-operating revenues:		
State sources	4,883	-
Federal sources	180,380	-
Interest income	2	34
Total non-operating revenues	185,265	34
Income (loss) before capital contributions	(11,096)	22,294
Capital contributions	1,800	-
Net income (loss)	(9,296)	22,294
Net position beginning of year	(2,128)	-
Net position end of year	(11,424)	22,294

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2014

	Enterprise, Nonmajor School Nutrition \$	Governmental Activities - Internal Service Fund \$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	316,233	46,428
Cash paid to employees for services	(181,306)	(20,831)
Cash paid to suppliers for goods or services	(315,478)	(3,201)
Net cash used by operating activities	(180,551)	22,396
Cash flows from non-capital financing activities:		
State grants received	4,883	-
Federal grants received	165,226	-
Net cash provided by non-capital financing activities	170,109	-
Cash flows from capital and related financing activities:		
Interfund loan	18,368	-
Cash flows from investing activities:		
Interest on investments	2	34
Net increase (decrease) in cash and cash equivalents	7,928	22,430
Cash and cash equivalents at beginning of year	6,983	-
Cash and cash equivalents at end of year	14,911	22,430

Reconciliation of operating income (loss) to net cash used by operating activities:

Operating income (loss)	(196,361)	22,260
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Commodities used	15,154	-
Depreciation	2,610	-
Decrease (increase) in inventories	(1,339)	-
Decrease (increase) in accounts receivable	(103)	-
(Decrease) increase in accounts payable	(106)	136
(Decrease) increase in deferred revenue	(850)	-
(Decrease) increase in other postemployment benefits	444	-
Net cash used by operating activities	(180,551)	22,396

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$15,154 of federal commodities.

During the year ended June 30, 2014 the School Nutrition Fund received \$1,800 of equipment that was purchased by other funds.

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

1. Summary of Significant Accounting Policies

Roland-Story Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Roland and Story City, Iowa and the predominately agricultural territory in a portion of Boone, Hamilton, Hardin and Story Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Roland-Story Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Roland-Story Community School District Foundation has been included in the financial statements as a component unit because of the nature and significance of its relationship with the Roland-Story Community School District.

The Roland-Story Community School District Foundation was established to maintain, develop, increase and extend the facilities and services of the Roland-Story Community School District, and to provide broader education service opportunities to its students, staff, faculty and the residents of the Roland-Story Community School District. The Foundation has a December 31, year-end. Foundation financial statements are shown in the Statement of Net Assets and the Statement of Activities in separate columns. As explained in the Independent Auditor's Opinion, the Foundation financial statements have not been audited.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements . Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instruction, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the

current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications . committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable . Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax

receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets . Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	25,000
Improvements other than buildings	25,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Improvements other than buildings	20 years
Intangibles	3-10 years
Furniture and equipment	5-12 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Advances from Grantors . Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-term Liabilities . In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Deferred Inflows of Resources . Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year of expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity . In the governmental fund financial statements fund balances are classified as follows:

Non-spendable . Amounts which cannot be spent because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted . Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned . All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014 expenditures did not exceed the amounts budgeted.

2. **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had the following investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$402 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Debt Service Fund	Capital Projects Fund	758,612

The transfer from the Capital Projects Fund to the Debt Service Fund moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
General Fund	Nonmajor Enterprise: School Nutrition	35,109

The General Fund has loaned the School Nutrition Fund money for cash flow.

5. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	392,241	19,512	-	411,753
Construction in progress	-	66,900	-	66,900
	<u>392,241</u>	<u>86,412</u>	<u>-</u>	<u>478,653</u>
Capital assets being depreciated:				
Buildings	15,053,169	162,528	-	15,215,697
Improvements other than buildings	622,335	108,734	-	731,069
Furniture and equipment	1,073,077	464,966	79,069	1,458,974
Total capital assets being deprec.	<u>16,748,581</u>	<u>736,228</u>	<u>79,069</u>	<u>17,405,740</u>
Less accumulated depreciation for:				
Buildings	4,512,461	350,928	-	4,863,389
Improvements other than buildings	299,431	38,018	-	337,449
Furniture and equipment	912,093	99,341	79,069	932,365
Total accumulated depreciation	<u>5,723,985</u>	<u>488,287</u>	<u>79,069</u>	<u>6,133,203</u>
Total capital assets being depreciated, net	<u>11,024,596</u>	<u>247,941</u>	<u>-</u>	<u>11,272,537</u>

Governmental activities capital assets, net	<u>11,416,837</u>	<u>334,353</u>	<u>-</u>	<u>11,751,190</u>
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Business type activities:

Furniture and equipment	86,337	1,800	-	88,137
Less accumulated depreciation	<u>67,973</u>	<u>2,610</u>	<u>-</u>	<u>70,583</u>

Business type activities capital assets, net	<u>18,364</u>	<u>(810)</u>	<u>-</u>	<u>17,554</u>
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Depreciation expense was charged to the following functions:

\$

Governmental activities:

Instruction:

Regular 24,168

Support services:

Student support 18,381

Administration 5,631

Transportation 51,161

99,341

Unallocated depreciation 388,946

Total depreciation expense . governmental activities 488,287

Business type activities:

Food services 2,610

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014, are summarized as follows:

	Balance Beginning of Year \$	Additions \$	Reductions \$	Balance End of Year \$	Due Within One Year \$
Governmental activities:					
Sales tax revenue bonds	715,000	-	715,000	-	-
Capital Leases	-	84,938	28,982	55,956	27,649
Termination benefits	191,088	211,603	191,088	211,603	211,603
Net OPEB liability	<u>48,143</u>	<u>21,734</u>	<u>-</u>	<u>69,877</u>	<u>-</u>
Total	<u>954,231</u>	<u>318,275</u>	<u>935,070</u>	<u>337,436</u>	<u>239,252</u>
Business type activities:					
Net OPEB liability	<u>1,254</u>	<u>444</u>	<u>-</u>	<u>1,698</u>	<u>-</u>

Termination Benefits

The District offered a voluntary early retirement plan to its employees during 2011, 2012 and 2014. Eligible employees must have completed at least fifteen years of service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are equal to 45% of the employee's base salary in effect during the employee's last year of employment.

Early retirement benefits will be paid in one installment made during the July following the start of retirement.

At June 30, 2014, the District has an obligation to seven participants with a total liability of \$211,603 for early retirement benefits. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$191,088.

Capital Leases

The District has leased a bus under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2014.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		\$
	2015	28,982
	2016	28,982
Minimum Lease Payments		57,964
Less Amount Representing Interest		2,008
Present Value of Minimum Lease Payments		<u>55,956</u>

7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$543,863, \$524,770 and \$486,385 respectively, equal to the required contributions for each year.

8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 50 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Health Alliance. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	29,154
Interest on net OPEB obligation	1,235
Adjustment to annual required contribution	(4,257)
Annual OPEB cost	26,132
Contributions made	3,954
Increase in net OPEB obligation	22,178
Net OPEB obligation beginning of year	49,397
Net OPEB obligation end of year	71,575

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$3,954 to the medical plan. Plan members eligible for benefits contributed \$37,392, or 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended	Annual OPEB Cost \$	Percentage of Annual OPEB Cost Contributed %	Net OPEB Obligation \$
June 30, 2010	16,048	51.6	7,760
June 30, 2011	15,738	64.1	13,402
June 30, 2012	16,788	40.7	23,358
June 30, 2013	30,791	15.4	49,397
June 30, 2014	26,132	15.3	71,575

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$165,778, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$165,778. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,230,000, and the ratio of the UAAL to covered payroll was 5.1%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000.

The UAAL is being amortized over 30 years.

9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$351,122 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
	\$
Instructional support	654
State aid funding supplement	53,640
Teacher salary supplement	36,576
Home school assistance program	10,158
Educator quality, professional development	8,184
Successful progression for early readers	16,367
Market factor	12,929
Preschool	41,346
Core curriculum	11,047
	<u>190,901</u>

12. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No.68, Accounting and Financial Reporting for Pensions-an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for government's proportionate share of the employee pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2014

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	\$	\$	\$	Original	Final	\$
Revenues:						
Local sources	5,551,541	317,188	5,868,729	6,575,673	6,575,673	(706,944)
State sources	6,032,702	4,883	6,037,585	5,140,603	5,140,603	896,982
Federal sources	254,039	180,380	434,419	200,000	200,000	234,419
Total revenues	<u>11,838,282</u>	<u>502,451</u>	<u>12,340,733</u>	<u>11,916,276</u>	<u>11,916,276</u>	<u>424,457</u>
Expenditures/Expenses:						
Instruction	7,074,918	-	7,074,918	8,733,713	8,733,713	1,658,795
Support services	3,025,829	-	3,025,829	3,841,802	3,841,802	815,973
Non-instructional programs	1,800	513,547	515,347	551,009	551,009	35,662
Other expenditures	1,749,114	-	1,749,114	2,038,035	2,038,035	288,921
Total expenditures/expenses	<u>11,851,661</u>	<u>513,547</u>	<u>12,365,208</u>	<u>15,164,559</u>	<u>15,164,559</u>	<u>2,799,351</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(13,379)	(11,096)	(24,475)	(3,248,283)	(3,248,283)	3,223,808
Other financing sources (uses) net	<u>85,818</u>	<u>1,800</u>	<u>87,618</u>	<u>-</u>	<u>-</u>	<u>87,618</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	72,439	(9,296)	63,143	(3,248,283)	(3,248,283)	3,311,426
Balance beginning of year	<u>5,225,760</u>	<u>(2,128)</u>	<u>5,223,632</u>	<u>3,248,283</u>	<u>3,248,283</u>	<u>1,975,349</u>
Balance end of year	<u><u>5,298,199</u></u>	<u><u>(11,424)</u></u>	<u><u>5,286,775</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>5,286,775</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2014, expenditures did not exceed the amounts budgeted.

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	131,366	131,366	0.0%	1,640,000	8.0%
2011	July 1, 2009	-	120,550	120,550	0.0%	2,340,000	5.2%
2012	July 1, 2009	-	107,338	107,338	0.0%	2,460,000	4.4%
2013	July 1, 2012	-	181,223	181,223	0.0%	2,740,000	6.6%
2014	July 1, 2012	-	165,778	165,778	0.0%	3,230,000	5.1%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

Assets	Special Revenue Funds		Total
	Management	Student	
	Levy	Activity	
	\$	\$	\$
Cash, cash equivalents and pooled investments	461,685	313,938	775,623
Receivables:			
Property tax:			
Delinquent	2,953	-	2,953
Succeeding year	350,001	-	350,001
Accounts	-	3,872	3,872
Total assets	814,639	317,810	1,132,449
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	-	7,822	7,822
Salaries and benefits payable	-	280	280
Total liabilities	-	8,102	8,102
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	350,001	-	350,001
Fund balances:			
Restricted for:			
Management levy purposes	464,638	-	464,638
Student activities	-	309,708	309,708
Total fund balances	464,638	309,708	774,346
Total liabilities, deferred inflows of resources and fund balances	814,639	317,810	1,132,449

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2014

	Special Revenue Funds			
	Management	Student	Debt	Total
	Levy	Activity	Service	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	450,506	-	-	450,506
Other	5,553	329,153	-	334,706
State sources	239	-	-	239
Total revenues	<u>456,298</u>	<u>329,153</u>	<u>-</u>	<u>785,451</u>
Expenditures:				
Current:				
Instruction:				
Regular	141,065	-	-	141,065
Other	-	331,011	-	331,011
Support services:				
Student	14,853	-	-	14,853
Administration	13,982	-	1,500	15,482
Operation and maintenance of plant	102,791	-	-	102,791
Transportation	32,915	-	-	32,915
Other expenditures:				
Long-term debt:				
Principal	-	-	743,982	743,982
Interest and fiscal charges	-	-	13,130	13,130
Total expenditures	<u>305,606</u>	<u>331,011</u>	<u>758,612</u>	<u>1,395,229</u>
Excess (deficiency) of revenues over (under) expenditures	150,692	(1,858)	(758,612)	(609,778)
Other financing sources (uses):				
Operating transfers in	-	-	758,612	758,612
Change in fund balance	150,692	(1,858)	-	148,834
Fund balances beginning of year	<u>313,946</u>	<u>311,566</u>	<u>-</u>	<u>625,512</u>
Fund balances end of year	<u>464,638</u>	<u>309,708</u>	<u>-</u>	<u>774,346</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2014

Assets	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$
Cash, cash equivalents and pooled investments	1,074,852	983,635	2,058,487
Receivables:			
Property tax:			
Delinquent	-	2,516	2,516
Succeeding year	-	362,895	362,895
Due from other governments	140,729	111,691	252,420
Total assets	1,215,581	1,460,737	2,676,318
Liabilities, Deferred Inflows of Resources & Fund Balances			
Liabilities:			
Accounts payable	-	46,841	46,841
Deferred inflows of resources:			
Deferred revenue:			
Succeeding year property tax	-	362,895	362,895
Income surtax	-	111,691	111,691
Total deferred inflows of resources	-	474,586	474,586
Fund balances:			
Restricted for:			
School infrastructure	1,215,581	-	1,215,581
Physical plant and equipment	-	939,310	939,310
Total fund balances	1,215,581	939,310	2,154,891
Total liabilities, deferred inflows of resources, and fund balances	1,215,581	1,460,737	2,676,318

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	-	534,972	534,972
Other	1,359	20,923	22,282
State sources	833,162	189	833,351
Total revenues	<u>834,521</u>	<u>556,084</u>	<u>1,390,605</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	-	128,522	128,522
Support services:			
Instructional staff services	-	1,362	1,362
Operation and maintenance of plant	-	3,601	3,601
Transportation services	-	193,126	193,126
Non-instructional programs	-	1,800	1,800
Other expenditures:			
Facilities acquisition	442,053	198,827	640,880
Total expenditures	<u>442,053</u>	<u>527,238</u>	<u>969,291</u>
Excess (deficiency) of revenues over (under) expenditures	392,468	28,846	421,314
Other financing sources (uses):			
Proceeds from long-term loans	-	84,938	84,938
Operating transfers out	(729,630)	(28,982)	(758,612)
Total other financing sources (uses)	<u>(729,630)</u>	<u>55,956</u>	<u>(673,674)</u>
Change in fund balance	(337,162)	84,802	(252,360)
Fund balances beginning of year	<u>1,552,743</u>	<u>854,508</u>	<u>2,407,251</u>
Fund balance end of year	<u><u>1,215,581</u></u>	<u><u>939,310</u></u>	<u><u>2,154,891</u></u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Balance End of Year \$
General athletics	15,638	9,178	10,622	14,194
Interest	11,232	541	671	11,102
Gifts/RIF	230	550	779	1
<u>ELEMENTARY</u>				
Student council	10,605	3,932	2,169	12,368
OCA	689	-	56	633
Helping hands	362	-	-	362
Pencil project	296	-	-	296
S.N. penny drive	432	312	492	252
<u>MIDDLE SCHOOL</u>				
Vocal music	947	797	1,092	652
Instrumental music	1,167	2,227	2,742	652
Student council	2,961	6,568	7,991	1,538
<u>HIGH SCHOOL</u>				
Speech/drama/musical	18,496	7,051	4,666	20,881
Vocal music	16,598	3,066	1,466	18,198
Instrumental music	5,594	4,256	4,395	5,455
Music uniforms	1,758	860	1,737	881
Cross country	-	1,978	1,723	255
Boys basketball	24,369	10,445	8,238	26,576
Boys football	51,439	31,362	41,789	41,012
Boys baseball	146	43,357	38,987	4,516
Boys track	4,794	22,442	23,396	3,840
Boys golf	-	664	542	122
Wrestling	12,067	16,572	14,046	14,593
Girls basketball	21,324	18,339	15,988	23,675
Girls volleyball	5,944	11,674	10,381	7,237
Girls softball	717	11,772	11,389	1,100
Girls track	1	5,933	4,628	1,306
Girls golf	-	564	564	-
Yearbook	4,933	1,104	1,711	4,326
FFA	20,600	30,012	27,956	22,656
FCCLA	1,508	3,040	2,935	1,613
Student council	3,079	1,566	2,393	2,252
Honor Society	102	386	488	-
HOSA	748	490	632	606
Cheerleaders	3,369	6,980	7,528	2,821

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Key club	2,201	540	540	2,201
Student awards	14,594	3,031	6,054	11,571
Pop fund	793	40	276	557
Concessions	48,191	54,164	54,766	47,589
Class of 2013	813	-	813	-
Class of 2014	2,829	764	3,592	1
Class of 2015	-	12,596	10,778	1,818
	<u>311,566</u>	<u>329,153</u>	<u>331,011</u>	<u>309,708</u>
Total	<u>311,566</u>	<u>329,153</u>	<u>331,011</u>	<u>309,708</u>

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	4,279,037	5,437,328	5,501,259	4,892,840	4,601,000	4,456,135	4,602,704	4,340,770	4,036,115	3,798,784
Tuition	729,601	665,524	653,774	605,015	490,977	515,731	527,063	463,916	364,822	383,429
Other	542,903	542,163	522,707	527,371	551,117	570,505	583,488	725,855	530,474	464,237
Intermediate sources	-	-	-	-	-	-	-	11,095	-	-
State sources	6,032,702	4,887,303	4,928,027	4,921,760	4,208,855	4,844,904	4,808,240	4,741,516	4,454,045	4,401,245
Federal sources	254,039	322,816	486,793	341,355	859,706	343,864	151,481	130,983	131,095	133,265
Total revenues	11,838,282	11,855,134	12,092,560	11,288,341	10,711,655	10,731,139	10,672,976	10,414,135	9,516,551	9,180,960
Expenditures:										
Instruction:										
Regular	4,756,700	4,500,907	5,253,236	4,574,659	4,485,682	4,498,312	4,245,924	3,986,764	3,802,510	3,813,244
Special	1,018,514	1,093,489	1,081,898	1,055,453	1,043,012	1,167,425	951,140	945,853	980,878	833,874
Other	1,299,704	1,291,443	1,075,617	1,144,661	1,100,353	1,058,789	1,126,408	1,104,630	940,131	953,220
Support services:										
Student	318,954	297,102	294,403	270,135	239,246	267,237	144,323	164,147	156,012	162,878
Instructional staff	443,366	428,098	365,783	327,292	355,651	349,856	310,104	280,103	309,591	311,363
Administration	962,398	903,235	881,679	858,678	840,628	846,970	821,056	777,993	737,648	773,446
Operation and maintenance	822,569	693,623	668,038	686,314	662,647	659,132	680,945	649,469	617,655	588,619
Transportation	478,542	252,222	337,201	250,712	228,784	290,604	254,917	210,919	229,121	240,359
Non-instructional programs	1,800	13,591	-	-	-	38	2,757	2,051	235	-
Other expenditures:										
Facilities acquisition	640,880	471,198	465,255	211,348	405,208	270,935	1,398,369	848,843	3,162,653	729,417
Long-term debt:										
Principal	743,982	690,000	665,000	645,000	620,000	955,000	945,000	975,000	660,000	685,000
Interest and other charges	13,130	38,628	65,893	89,321	111,674	149,037	174,721	194,485	226,284	162,114
AEA flowthrough	351,122	334,265	333,300	374,891	362,163	328,715	316,694	306,665	288,699	283,677
Total expenditures	11,851,661	11,007,801	11,487,303	10,488,464	10,455,048	10,842,050	11,372,358	10,446,922	12,111,417	9,537,211

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Independent Auditor's Report on Internal Control
Over Financial Reporting and on compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Roland-Story Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Roland-Story Community School District and of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 30, 2015. We did not issue an opinion on the Roland-Story Community School District Foundation, which is included as a discretely presented component unit, because we were not engaged to, and did not audit the Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Roland-Story Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Roland-Story Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Roland-Story Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items 14-I-A and 14-I-B to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Responses as item 14-II-D to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Roland-Story Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Roland-Story Community School District's Responses to the Findings

Roland-Story Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Roland-Story Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Roland-Story Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

March 30, 2015

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2014

Part I: Findings Related to the Financial Statements:

Internal control deficiencies:

- 14-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, payroll processing, limiting access to the board president's signature stamp, preparation and posting of general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

District Response: We have implemented several monitoring procedures to compensate for lack of segregation of duties. The superintendent receives an e-mail from our accounting software provider every time that checks are printed and the superintendent receives an e-mail from the bank each time a wire transfer is initiated. We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

- 14-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

14-II-A Certified Budget: Expenditures for the year ended June 30, 2014, did not exceed the certified amount budgeted.

14-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

14-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

14-II-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
Steve Peterson, board member, owner of Peterson Paint and Floor	materials	13,142

The transaction appears to represent a conflict of interest because the bids were not taken as required by the Code of Iowa. The district should contact their attorney regarding these transactions.

14-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

14-II-F Board Minutes: No transactions requiring Board approval which had not been approved by the Board were noted.

14-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

14-II-H Supplementary Weighting: No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

14-II-I Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

14-II-J Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.

14-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

ROLAND-STORY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting (continued):

- 14-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

	\$	\$
Beginning balance		1,552,743
Revenues/transfers in:		
Statewide sales, services and use tax revenue	833,162	
Interest	<u>1,359</u>	834,521
Expenditures/transfers out:		
School infrastructure construction	442,053	
Transfers to debt service fund	<u>729,630</u>	<u>1,171,683</u>
Ending balance		<u><u>1,215,581</u></u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.